



Highlights of [GAO-07-672T](#), a testimony before the Subcommittee on Air and Land Forces, Committee on Armed Services, House of Representatives

Why GAO Did This Study

The Army's Future Combat System (FCS) is a program characterized by bold goals and innovative concepts—transformational capabilities, system-of-systems approach, new technologies, a first-of-a-kind information network, and a total investment cost of more than \$200 billion. As such, the FCS program is considered high risk and in need of special oversight and review.

Today's testimony is based on work conducted over the past year in response to (1) the National Defense Authorization Act for Fiscal Year 2006, which requires GAO to report annually on the FCS acquisition; and (2) the John Warner National Defense Authorization Act for Fiscal Year 2007, which requires GAO to report on the role of the lead systems integrator in the Army's FCS program. Accordingly, this statement discusses (1) the business case for FCS to be successful and (2) the business arrangements for the FCS program.

What GAO Recommends

GAO has recently recommended that the Secretary of Defense (1) establish specific criteria for evaluating the FCS program at a key 2009 decision and (2) analyze alternative courses of action in the event FCS is unlikely to deliver needed capabilities. DOD concurred with GAO's recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-07-672T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Paul L. Francis at (202) 512-4841 or francisp@gao.gov.

DEFENSE ACQUISITIONS

Future Combat System Risks Underscore the Importance of Oversight

What GAO Found

The Army has far less knowledge about FCS and its potential for success than is needed to fulfill the basic elements of a business case. Those elements are not new to the Army, nor to the Department of Defense (DOD), which addresses such criteria in its weapon system acquisition policy. The Army has made improvements to the program, such as lengthening time frames for demonstrating capabilities and for providing capabilities to current forces. While the Army has also made progress, what it still lacks in knowledge raises doubts about the soundness of the FCS business case. The Army has yet to fully define FCS requirements; FCS technologies that should have been matured in 2003, when the program started, are still immature; key testing to demonstrate FCS performance will not be completed and maturity of design and product will not be demonstrated until after production starts in 2013; and an independent cost estimate from the Office of the Secretary of Defense is between \$203 billion and \$234 billion, a far higher figure than the Army's cost estimate.

To achieve its goals for the FCS program, the Army decided to employ a lead systems integrator (LSI) to assist in defining, developing, and integrating the FCS. This decision reflected the fact that not only were FCS goals ambitious, but also that the Army had limited capacity to manage the undertaking. Boeing Corporation is the LSI. Its relationship with the Army on FCS breaks new ground for collaboration between the government and a contractor. The close working relationship has advantages and disadvantages. An advantage is that such a relationship allows flexibility in responding to shifting priorities. A disadvantage is an increase in risks to the Army's ability to provide oversight over the long term. The contract itself is structured in such a way as to enable the LSI to be paid over 80 percent of its costs and fees by completion of the critical design review in 2011—a point after which programs typically experience most of their cost growth. This is consistent with the Army's desire to provide incentives for the development effort. On the other hand, this contract, as with many cost-reimbursable research and development contracts, makes the contractor responsible for providing its best efforts, but does not assure a successful FCS.

The foregoing underscores the important role of the Office of the Secretary of Defense in providing oversight on the FCS program. To date, the Office of the Secretary of Defense has largely accepted the Army's approach to FCS, even though it runs counter to DOD's policy for weapon system acquisition. GAO believes the Office of the Secretary of Defense needs to hold the FCS program accountable to high standards at the congressionally directed decision in 2009 on whether to proceed with FCS. Financial commitments to production will grow rapidly after that point. The Office of the Secretary of Defense should also be mindful of the department-wide implications of the future use of LSIs as well as the system-of-systems approach to developing weapon acquisitions.